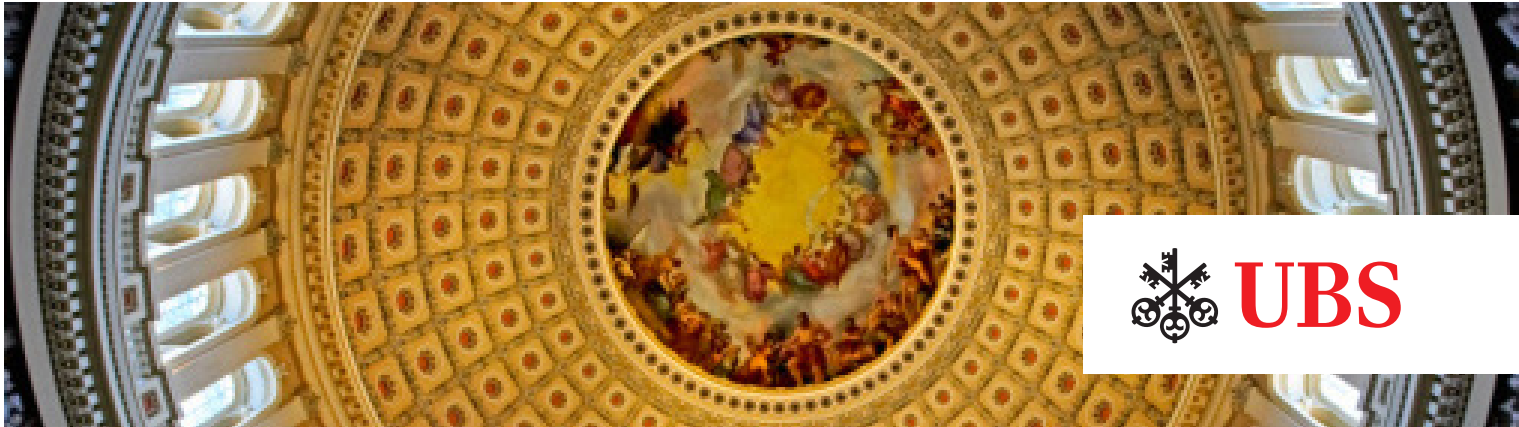


Washington Weekly

Under the Dome: The Week in Review

12 September 2025



This Week: The **Senate** debated the National Defense Authorization Act (NDAA) (see below) and voted on a nominations rule change (see below). The **House** passed its NDAA bill and a bill to increase criminal penalties for non-US citizens who illegally cross the border multiple times.

Next Week: The **Senate** will continue consideration of its NDAA bill and will vote on several Trump administration nominees under the new rule change. The **House** will continue negotiations on government funding bills and will vote on several bills aimed at combating crime in Washington, DC.

The Lead

Government Shutdown Looms. With Congress facing a narrowing window to agree on continued government funding ahead of the September 30 deadline, the stakes are rising as each party tries to best position itself (see below). President Trump has proposed a continuing resolution (CR) to extend funding through January 31, 2026. However, Democrats are resistant to such an extension if it does not also include an extension of certain Affordable Care Act (ACA) tax credits that are set to expire at the end of the year. Leaders are examining a variety of options. One is funding all government operations for eight to 10 weeks. Another is passing a few of the 12 long-term government funding bills in the next two weeks while providing short-term extensions in other areas. So far, little progress has been made. *As the clock ticks, the likelihood of a shutdown on October 1 continues to grow.*

The Republican Perspective. Republicans believe that Democrats are backing themselves into a corner. They are confident that they have the easier message to the public. Republicans will argue that they want to keep the government funded and that Democrats are preventing that from happening. Ironically, this message is one that traditionally has been used by Democrats in past government funding fights. Should there be a government shutdown, the Trump administration will have wide

discretion to make determinations around essential and non-essential activities. That authority could mitigate the impact and political costs of a shutdown while giving the administration greater leeway to shut down programs and activities it doesn't like. Concern about the latter prompted Senate Minority Leader Chuck Schumer (D-NY) to relent on supporting a funding extension in March. He subsequently faced harsh pushback from the Democratic base. *Republicans will argue that they are acting in good faith on government funding and will point out that there are separate bipartisan negotiations on the ACA tax credits.*

The Democratic Perspective. Of the 24 million Americans who are enrolled in healthcare under the ACA, 22 million benefit from the enhanced credits. Republican states top the lists of both the average monthly ACA subsidy and the total number of people receiving it. If these credits expire, there could be large increases in health insurance premiums for millions. Particularly when combined with funding cuts and other changes to Medicaid enacted as part of the One Big Beautiful Bill, that impact could imperil Republican seats in the midterm elections. Democrats are confident that this prospect gives them leverage to get Republicans to include some extension of these credits. *Many Democrats also think Republicans bear most of the political risk of a shutdown given that they control both Congress and the presidency.*

Other Issues

Nomination Frustration Continues. As we noted last week, the confirmation of Trump administration nominees has become a contentious issue in the Senate. Senate Republicans continue to be frustrated with Democrats' deployment of procedural tactics to slow down the process. After weeks of discussion, Senate Majority Leader John Thune (R-SD) was ready to take action this week. Senate Republicans moved forward with invoking the "nuclear option" by changing Senate rules via a simple majority vote. The rule change allows them to clear subcabinet executive branch nominees in groups. Senate Republicans now

will be able to confirm simultaneously an unlimited number of subcabinet nominations. This will allow President Trump (and future presidents) to be able to staff up quicker. During the week, bipartisan negotiations emerged to try to reach a compromise without a change to Senate rules, but these efforts ultimately fell short. *As a key leverage point for senators in the minority party is now obsolete, Senate Republicans will confirm their first batch of nominees under the new rules next week.*

Annual Defense Authorization Bill. The House this week passed the defense authorization bill for fiscal year 2026. This bill authorizes funding for defense programs and sets policy for the Pentagon for the upcoming year. The House vote was largely along party lines because Democrats opposed provisions in the bill on controversial social policy issues and their intersection with Pentagon employees and contractors. These likely will be removed in the Senate. During the Senate's consideration of the bill this week, Minority Leader Schumer (D-NY) forced a vote on an amendment to require the Justice Department to release the Jeffrey Epstein files. Senate Republicans voted to table to measure, but it underscores the enduring potency of this issue. Given that the defense bill is considered must-pass legislation, many lawmakers try to get key priorities added to the bill as amendments. Over 600 amendments have been offered to the Senate bill. The vast majority will not make it in the final version. Historically, there have been efforts to mostly keep the bill focused on defense and national security issues. The Senate will work to resolve these issues before moving to discussions with the House on harmonizing the two bills. A key issue is the funding level, with the House version at \$893 billion and the Senate's version at \$914 billion. *The annual defense authorization bill has been enacted for 64 consecutive years, and this year will be no different.*

GSE Privatization. The government sponsored entities (GSEs) Fannie Mae and Freddie Mac have long dominated the mortgage market and have been under effective government control since the financial crisis. Once again, there is interest in the Trump administration doing some form of privatization of the companies. However, there are disagreements within the administration on the details of what likely will be a complicated, time-consuming and politically fraught exercise that could pose risks to the housing market. In recent weeks, the administration has had discussions with the financial industry on different options and likely will come out with a report later this year that outlines potential next steps for trying to get the companies on the path towards building up capital (in order to meet applicable regulatory requirements) and being released from conservatorship. One option is to sell parts of the companies to private investors with the government at least initially keeping a substantial ownership level. Given that the Trump administration is loath to disrupt the mortgage market, there likely will continue to be a need for the government to provide a public backstop to

the companies. The perception and pricing of that guarantee will be a key issue. *There is substantial interest in privatizing these entities, but it will not be quick, easy or without risk.*

Return of the Revenge Tax? Earlier this year, we discussed Republicans' pursuit of a retaliatory tax aimed at countries that impose a global minimum tax. Lawmakers were concerned that minimum taxes would capture US companies and cost the US government billions of dollars in tax revenue. The provision was dropped from the "One Big Beautiful Bill" near the end of its consideration after the Treasury and leaders from the G-7 agreed to work with each other on a plan that would recognize the US's tax regime as being compliant and protect US companies from certain taxes abroad. Negotiations are ongoing, but there are reports that they are not advancing quickly enough to placate Republicans. *As a result, Republicans are starting to discuss reviving the revenge tax to nudge negotiations along and to be prepared if negotiations fail.*

War Powers Repeal Effort. In a rare bipartisan move, House Republicans and Democrats are advancing a proposal to repeal two long-standing authorizations (1991 Gulf War and 2002 Iraq War) for the use of military force in the Middle East. The amendment was attached to the annual defense policy bill. Lawmakers argue that the outdated war authorizations have enabled executive overreach from multiple administrations. The provision's fate remains uncertain given that there is less consensus in the Senate on the need to repeal these war powers. Both the House and Senate have passed repeals of these authorizations in the past, but never together and the two chambers often differ on the details. *The repeal effort reflects a broader push to reassert congressional authority over military engagements, but it remains to be seen if it has enough momentum to get the effort over the finish line.*

The Final Word

Increasing Political Threats. The shooting of conservative activist Charlie Kirk this week sounded yet another alarm on political violence in the US. This occurred only three months after the shooting of former Minnesota Speaker Melissa Hortman (D-MN) and her husband as well as state senator John Hoffman (D-MN) and his wife. Last week, Speaker Johnson (R-LA) revealed that Capitol Police have tracked over 14,000 instances of threatening and concerning behavior made towards Members of Congress so far this year, a 55% increase from the 9,000 that were tracked for all of 2024. These threats and the incidences of actual political violence have understandably taken a mental toll on many lawmakers. Many lawmakers on both sides of the aisle have expressed an interest in lowering the temperature and having more civil and less coarse political rhetoric. *However, as with many things in Washington, that may prove easier said than done.*

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